

EXECUTIVE SECRETARIAT

Routing Slip

TO:		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
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9	Chm/NIC				
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14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA				
18	AO/DCI				
19	C/IPD/OIS				
20	NID/ETOM		✓		
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SUSPENSE		Date			

Remarks: Copies for OGI + EUNA.
Note formation of a CCEA
 Working Group on Global Navigation

Executive Secretary
 7/6/82
 Date

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THE WHITE HOUSE
WASHINGTON

Executive Registry
82-3465/1

CABINET AFFAIRS STAFFING MEMORANDUM

DP1- 5571-82

DATE: 7/6/82

NUMBER: -----

DUE BY: -----

SUBJECT: CCEA Minutes

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baker	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Vice President	<input type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input type="checkbox"/>	<input type="checkbox"/>	Clark	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Treasury	<input type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>	Harper	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>	Kudlow	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	Wheeler	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Commerce	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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Energy	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CEA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCCT/Gunn	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CEQ	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input checked="" type="checkbox"/>
OSTP	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/Boggs	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Carleson	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Attached for your information are the minutes of the June 29, and July 1 meetings of the CCEA.

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs

☒ Becky Norton Dunlop
Director, Office of
Cabinet Affairs

MINUTES
CABINET COUNCIL ON ECONOMIC AFFAIRS

June 29, 1982
8:45 a.m.
Roosevelt Room

Attendees: The Vice President, Messrs. Regan, Baldrige, Block, Lewis, Pierce, Weidenbaum, Brock, Harper, Porter, Davis, Leland, Nau, Mehle, Hormats, Kudlow, Garrett, Gray, McPherson, Thompson, Bledsoe, Cicconi, and Denend, Ms. Dunlop and Ms. Dyke.

1. Global Negotiations

The Council reviewed a paper, prepared by the National Security Council staff, on the status of global negotiations.

Mr. Nau's presentation focused on U.S. objectives in our economic relations with developing countries including promoting mutually beneficial growth without government directed resource transfers, and supporting LDC outward looking trade and finance policies in conjunction with sound domestic economic policies. He noted that while economic aid would continue to play a significant role in U.S. foreign policy, our assistance in the context of global negotiations would concentrate on: providing technical assistance; supporting trade liberalization; encouraging and protecting private investment; and stimulating cofinancing arrangements.

Mr. Nau outlined the major features of the agreement reached at the Versailles Summit and the progress that has been made since then to ensure common understanding. The U.S. agreed to drop the demand for a preliminary conference in exchange for agreement by our Summit partners that the G-77 text of the resolution establishing global negotiations, as amended by the U.S. to protect the role of existing international organizations, would be the only text under consideration. Any changes would require unanimous agreement or the issue would be elevated to the head of state level for resolution.

The Council's discussion centered around the prospects for holding our allies to our interpretation of the agreement, the likelihood that the less developed countries will accept the resolution as amended, and the need to keep the Cabinet Council informed regularly as this issue moves forward at the United Nations.

Secretary Regan asked Mr. Porter to arrange for a Cabinet Council working group to regularly provide the Council with information on the progress of developments concerning global

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negotiations and to prepare appropriate materials on issues requiring the Cabinet Council's consideration.

2. Export Credit Financing Negotiations

The Council reviewed a paper, prepared by the Treasury Department, on the status of an International Arrangement on Export Credits.

Mr. Leland's presentation focused on the status of the latest compromise proposal to harmonize export financing at closer to market terms among the U.S., the European Community and Japan. Currently, only France among the creditor countries has reservations about the current compromise proposal. France has insisted throughout the negotiations on preserving significant subsidies in proposed credit terms. He noted that we should know soon if the compromise proposal has been accepted.

The Council's discussion centered around the specific interest rates and maturities included in the current compromise proposal, the chances that the proposal would be accepted, and appropriate actions the U.S. should take if the proposal is rejected.

3. Thrift Industry Developments

The Council reviewed a paper, prepared by Roger W. Mehle, on developments in the thrift industry since the Working Group's last report to the Council on April 23.

Mr. Mehle's presentation focused on the Administration's proposals to assist the thrift industry. Legislation supported by the Administration awaits mark-up in the Senate Banking Committee. Mr. Mehle reviewed the differences between the House legislation and the Garn bill in the Senate.

He also discussed the most recent statistics with respect to the thrift industry's financial condition and the recent and prospective actions of the Depository Institutions Deregulation Committee.

The Council's discussion focused on the long-term prospects for the thrift industry, the impact of continued high interest rates, the legislative prospects for thrift legislation this session, the positions of banking and thrift industry associations on the legislation, the recent Supreme Court

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decision with respect to due-on-sale clause provisions in home mortgages and the likely effect of that decision on housing sales, and the development of new financial instruments to allow the thrifts and commercial banks to compete more directly with money market funds.

The Council requested Troika II to prepare an assessment of the implications for the economy if interest rates remain at their present or higher levels for an extended period of time.

MINUTES
CABINET COUNCIL ON ECONOMIC AFFAIRS

July 1, 1982
8:45 a.m.
Roosevelt Room

Attendees: The Vice President, Messrs. Regan, Lewis, Stockman, Weidenbaum, Harper, Macdonald, Porter, Lovell, Davis, Dederick, Leland, McCormack, Garrett, Cicconi, Bailey, and Denend, Ms. Dunlop, and Ms. Risque.

1. Tax Policy

Secretary Regan reviewed the current status of the Senate Finance Committee mark-up of a tax bill and the different individual elements of the bill that will likely emerge.

2. Export Credit Financing Negotiations

Mr. Leland reported that it appears the French have accepted, with slight modifications, the Chairman's compromise proposal for a new Arrangement on Export Credits. The new Arrangement will go into effect over the next six months. It will have the effect of raising the interest rates at which exports are financed significantly closer to market rates. This will be achieved by graduating countries to higher categories of economic development and by raising the interest rate for each category.

3. African Development Bank Membership (AFDB)

The Council reviewed a paper, prepared by the Department of the Treasury, on the issues surrounding U.S. membership in the AFDB.

Mr. Leland's presentation focused on how U.S. membership in the AFDB would be funded. He noted that the AFDB will probably open its membership formally to non-regional members before the end of the year. Because the timing of this event has been uncertain, no provisions have been made in the U.S. budget to provide for the \$18 million in paid-in capital plus \$54 million for callable capital in each year from FY 1984 through FY 1987. The first year of a five year commitment was included in the FY 1981 Supplemental Appropriation.

Mr. Leland stressed that, as the only pan-African institution devoted to financing regional development, the U.S. had an interest in seeing that the AFDB is managed well and funded adequately to carry out its regional role. The principal

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reasons for the U.S. joining the AFDB are to improve its management, to join with others in strengthening its financial structure, and to demonstrate the U.S. commitment to economic development in Africa.

The Council's discussion centered around the budget implications of adding this multiyear commitment, the prospects for foreign assistance appropriations in the Congress, the impact of U.S. membership in the AFDB on U.S. foreign policy, the limit of U.S. financial exposure as a member of the bank, and the ways in which the U.S. could influence the management and policies of the bank.

Secretary Regan requested Mr. Porter to have a paper prepared on the issue reflecting several of the points raised in the discussion for a subsequent Cabinet Council session.

4. Argentina Economic Update and Outlook

The Council reviewed a paper, prepared by the Department of the Treasury, outlining the economic challenges Argentina will face over the coming months.

Mr. Leland's presentation focused on Argentina's severe debt management problems. Of nearly \$36 billion in external debt, over \$14 billion will come due in 1982 including over \$11 billion in short-term debt. U.S. banks hold about \$9 billion of Argentina's debt. The U.S. will seek to encourage the Argentines to refinance their debt as it comes due rather than reschedule it. He noted that the new political leadership in Argentina does not think the time is right for an IMF program, but that we may see Argentina move toward the IMF before too long.

The Council's discussion centered on the exposure of U.S. banks with loans to Argentina, the likely timing for the lifting of U.S. sanctions against Argentina, and the prospects for Argentina continuing to meet its external debt obligations.